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PAGE 01 OECD P 06928 01 OF 02 210140 Z

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-12 ADP-00 AID-20 CEA-02

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OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01

DODE-00 PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-14

INRE-00 NSCE-00 SSO-00 USIE-00 CCO-00 RSR-01 /170 W

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PAGE 02 OECD P 06928 01 OF 02 210140 Z

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FOR THE SECRETARY AND SECRETARY SHULTZ FROM UNDERSECRETARY CASEY

E. O. 11652: N/A

TAGS: OVIP (WILLIAM J. CASEY) EGEN, OECD

SUBJECT: OECD XCNS MEETING MARCH 19-20: HIGHLIGHTS

1. SUMMARY . AT OECD'S XCNS MEETING MARCH 19 AND 20,
WE SUCCEEDED IN MOVING THE OECD FORWARD ON TWO U. S.
PRIORITY OBJECTIVES -- A PROGRAM OF WORK ON INTERNATIONAL
INVESTMENT AND INTERNATIONAL EXAMINATION OF A MULTILATERAL
SAFEGUARD SYSTEM. THE U. S. KEPT ALIVE THE PROPOSAL
FOR AN INDEPENDENT STUDY OF AGRICULTURAL LIBERALIZATION
FOR CONSIDERATION AT A SUBSEQUENT MEETING. END SUMMARY.

2. THE OECD EXECUTIVE COMMITTEE BEGAN WITH A REVIEW
OF THE OUTLOOK FOR INTERNATIONAL PAYMENTS. THE
REPRESENTATIVES REAFFIRMED THE CONFIDENCE OF THEIR
GOVERNMENTS IN THE DECISIONS OF LAST FRIDAY BUT
DISCUSSION ADDED LITTLE OF SUBSTANCE. MANY DELEGATES
EMPHASIZED THE NEED FOR CLOSER INTERNATIONAL COOPERATION
IN THE TRANSITIONAL PERIOD TO SUSTAINABLE EQUILIBRIUM
ESPECIALLY IN VIEW OF FACT, AS THE FRENCH REPRESENTATIVE
PUT IT, WE HAVE NOW ENTERED A NEW ERA IN MONETARY
AFFAIRS. I SUPPORTED THIS VIEW BUT FENDED OFF SUGGESTIONS
BY SOME FOR NEW WORK ASSIGNMENTS TO OECD COMMITTEES
ON THE GROUNDS THAT THESE COULD BE MISUNDERSTOOD
AND SHAKE CONFIDENCE IN REALIGNMENT. MY MAJOR STATEMENT
UNDER THIS ITEM (REPORTED SEPARATELY) REFERRED TO
LAST FRIDAY'S MINISTERIAL MEETING AS AN OUTSTANDING
EXAMPLE OF INTERNATIONAL ECONOMIC COOPERATION TO
WHICH THE U. S. IS STRONGLY COMMITTED AND EMPHASIZED THE
NEED TO MOVE FORWARD ON THE THREE INTER- RELATED ASPECTS
OF REFORM OF THE INTERNATIONAL ECONOMY-- MONETARY REFORM,
TRADE LIBERALIZATION, AND CONSIDERATION OF INVESTMENT
ISSUES.

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PAGE 03 OECD P 06928 01 OF 02 210140 Z

3. AN EXTENDED DISCUSSION ON INTERNATIONAL INVESTMENT REVEALED A NUMBER OF DIVERGENT VIEWS ON SUBSTANCE AND PROCEDURE. SOME COUNTRIES WERE MORE INTERESTED IN SHORT- TERM CAPITAL FLOWS, OTHERS IN INTENSIVE BUT UNFOCUSSED STUDY OF MULTINATIONAL CORPORATIONS. STILL OTHERS QUESTIONED PURPOSE OF ANY SIGNIFICANT EFFORT IN THIS AREA. MY STATEMENT LAID OUT THE MAIN SUBSTANCE WE WISHED TO SEE EXAMINED, FOCUSSING ON DISTORTIONS TO INTERNATIONAL TRADE CAUSED BY GOVERNMENT POLICIES RELATING TO INVESTMENT. I SAID WE WERE QUITE PREPARED TO EXAMINE MNC'S INTENSIVELY IN CONTEXT OF INVESTMENT QUESTIONS. PROCEDURAL COMPROMISE WAS TO INSTRUCT SECGEN IN CONSULTATIONS WITH MEMBER GOVERNMENTS TO PREPARE FOR FUTURE XCNS DISCUSSION BY IDENTIFYING THE PRIORITY ISSUES RELATING TO DIRECT INVESTMENT AND MNC'S MACRO- ECONOMIC ASPECTS, WHILE OF INTEREST TO SEVERAL COUNTRIES, WILL BE GIVEN A LOWER PRIORITY IN VIEW OF PRIMARY ROLE OF C-20 AND WP-3 IN BALANCE OF PAYMENTS FIELD.

4. A USEFUL SUBSTANTIVE DISCUSSION ON MULTILATERAL SAFEGUARDS SYSTEM REVEALED GENERAL AWARENESS THAT FURTHER LIBERALIZATION COULD BE FACILITATED BY UNDERSTANDING AMONG OECD COUNTRIES IN THIS FIELD. BILL EBERLE MADE A PERSUASIVE CASE FOR EARLY CONSIDERATION BY OECD OF THE MAIN ISSUES WHICH HE SET FORTH IN HIS STATEMENT. THE MAIN PROBLEM HERE WAS THAT THE EUROPEAN COMMISSION WISHED TO DEFER OECD CONSIDERATION UNTIL AFTER EC COUNCIL AGREES TO A NEGOTIATING MANDATE, EXPECTED BY JULY 1 (EC SUMMIT'S TARGET FOR SUCH A MANDATE). THAT IS EARLIEST DATE COMMUNITY COULD COMMIT ITSELF TO PARTICIPATE IN DISCUSSION. BILL EBERLE PRESSED THE NEED FOR EARLIER EXCHANGE OF VIEWS IN TRADE COMMITTEE MAY 21-22 BEFORE OUR RESPECTIVE POSITIONS BECOME FROZEN. UNDERSTANDING REACHED WAS THAT TRADE COMMITTEE WILL DISCUSS MATTER MAY 21-22, AND EC WILL PARTICIPATE SUBSTANTIALLY IF READY. SUBSEQUENT XCNS DISCUSSION WILL BE BASED ON SECRETARIAT ANALYSIS AND TC DISCUSSION.

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PAGE 01 OECD P 06928 02 OF 02 210156 Z

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PAGE 02 OECD P 06928 02 OF 02 210156 Z

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5. UNDER AGENDA ITEM ON DEVELOPMENT COOPERATION I SAID
WE WERE REVIEWING THE ENTIRE RANGE OF DEVELOPMENT
ISSUES SEEKING AN INTEGRATED APPROACH. I SAID OECD
WAS A LOGICAL FORUM FOR INTERNATIONAL CONSIDERATION

OF SUCH AN APPROACH AND WE LOOKED TO THE SECGEN TO SUBMIT SUGGESTIONS AS TO BEST WAY TO GO ABOUT THIS. THE DISCUSSION REVEALED AGREEMENT ON AN INTEGRATED APPROACH. SEVERAL COUNTRIES (NOTABLY JAPAN AND GERMANY) SUPPORTED DAC CHAIRMAN ED MARTIN'S SUGGESTION TO RENEW DISCUSSION ON AID UNTYING BUT NO SPECIFIC PROGRAM OF ACTION WAS AGREED. THE FRENCH RECALLED IN PASSING THEIR OPPOSITION TO AID UNTYING. I ALSO STATED FOR THE RECORD WITH RESPECT TO MARTIN'S RECOMMENDATION ON THE SDR LINK THAT THIS QUESTION SHOULD NOT BE DECIDED UNTIL BROAD MONETARY REFORM HAS BEEN CRYSTALIZED.

6. IN OUR INFORMAL DISCUSSIONS BILL EBERLE AND I QUICKLY ASCERTAINED THAT THERE WOULD BE CONSIDERABLE OPPOSITION TO OUR PROPOSAL FOR AN INDEPENDENT AGRICULTURE STUDY -- THAT IF WE WERE TO RAISE IT FORMALLY, IT MIGHT BE REJECTED DEFINITIVELY. ACCORDINGLY, WE AGREED WITH CHAIRMAN AND REPS OF MAIN COUNTRIES TO KEEP ISSUE ALIVE BY RESERVING THE RIGHT TO PLACE IT ON AGENDA OF NEXT MEETING, AND WE MADE STATEMENT TO THIS EFFECT.

7. WE AGREED TO HOLD A ONE- DAY MEETING OF THE COMMITTEE ON JUNE 5, THE DAY BEFORE THE OECD MINISTERIAL COUNCIL MEETING, TO REVIEW REPORT OF THE XCNS CHAIRMAN (PAUL JOLLES OF SWITZERLAND) TO THE MINISTERIAL. THE NEXT SUBSTANTIVE MEETING OF XCNS WILL BE JULY 5-6.
CASEY

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